

eZigma IT Consulting

Your Hassle Free IT Care Provider

CASE STUDY AMERICAN HOTELS

How to Fix a \$1.5M Dollar Problem

Improving Performance and Profitability When IT and Business Management Join Forces

Pointing to IT as the problem may be an “easy out” when business strategies begin to fray. But, as a California chain of 30 hotels learned, their \$1.6 million annual headache had an attractive quarter-million-dollar-remedy – and it was more than just IT.

That revelation came to American Hotels Inc. when it discovered that the right provider of IT services could be a truly strategic business partner who delivers far more than just network uptime.

Working with senior management at American Hotels, the 12-year-old eZigma Consulting revealed underlying operational shortcomings. It then provided the solutions for moving to more efficient, competitive and profitable practices that have since saved the company millions of dollars.

American’s problems - and their solutions - emerged in northern California’s highly competitive hospitality business. Here, the hotel chain sought to differentiate itself in the lucrative business trade with what seemed to be a simple and inviting commitment: Always-on Internet service or “you get the room free.” For this, business travelers were willing to pay more.

While the promise was an effective marketing device, gremlins lurked barely below the surface for the chain of hotels. One was technological and the other was operational. Together they seriously undermined performance and the client’s desired level of profitability.

The Two-Sided Problem

Operationally, hotel maintenance and management were dispersed and lacked central accountability. Accounting systems used by individual hotels were duplicated at the home office and transmittal of supporting data was of the “pack it in a shoe box and send it in” variety. Delays, deficiencies and inaccuracies were inevitable.

Technologically, there were breadth and depth problems. In each of the 30 properties, Internet services were down several times a month resulting from systemic problems to the simple lack of surge protectors. Three network technicians had the more-than-challenging responsibility of servicing all of the hotels from Sacramento to Los Angeles, a highway distance of 400 miles.

“While there are tech problems,” said eZigma CEO Neil Patel, “there are always business issues that clients either don’t know about or don’t wish to accept as part of their overall situation.”

And so I was with American Hotels Inc.

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As a 25-year-old company, American Hotels had never meaningfully changed its operating methods as it grew in numbers and geographic reach. This resulted in several problems taking hold.

- Each hotel manager was responsible for maintenance and management, eschewing the efficiencies of a centralized structure.
- While each hotel's data entry clerk maintained Excel expense records, hard copies of the spreadsheets were mailed to the corporate office and re-entered into their records.
- Invoices paid by each hotel were bundled and mailed to HQ for re-keying.
- Questions began to arise about vendors over-billing individual hotel managers.
- Systemic technology problems challenged the value of the "free room" promotion. If the Internet failed just two or three times a month, with an average occupancy of 75 percent, then if half of the guests noticed and asked for a free room, American could lose as much as \$7800-a-night.
- Those core challenges were exacerbated by local equipment failures, the lack of surge protectors, and the impossible task of three techs covering an area the size of Pennsylvania.

The Solution - A 5-Point Plan

"After eZigma analyzed our situation, we came to the grim realization that we had to make some drastic changes in our company," said American Hotels' CEO Sanjay Bakshi. "They were major, and we found some of them hard to swallow. American is like an extended family; but, we had to take the plunge."

Recommended changes from eZigma were highly focused, designed to be executed swiftly, and addressed the intertwined management and technological needs.

- Save \$1.6 million annually by reducing labor costs and eliminate: three data entry positions, \$1,200,000; three service techs, \$300,000; and two of four accounting clerks, \$100,000.
- Extend all hotel managers' duties to include data entry without increased compensation until the American group turned a profit for three consecutive years.
- Invest \$50,000 in technology improvements that included centralized accounting and billing systems, individual terminals at each hotel, and creating a Virtual Private Network.
- Reconfigure each hotel's data network to accommodate the operational changes and to deliver a more reliable Internet experience for hotel guests.
- Create geographically flexible team of eZigma IT specialists who would be responsible for the chain's entire IT network and cross-supporting one-another.

Capital cost of the eZigma solution was \$50,000. The annual expense reduction is \$1.6 million. Annual IT service fees are \$240,000. The net yearly savings is about \$1.5 million.

To ring out such efficiencies required a new operating approach that was an extraordinary change for American Hotels. During its 25-year history, the chain had grown, but its systems and methods had not kept pace. The eZigma changes systematically shifted that stale paradigm to an integrated, contemporary model that would yield greater operating efficiency, higher customer satisfaction and improved profit margins.

"The bottom line here," said eZigma's Patel, "is that we're not just another network consulting company that fixes technical problems. We're a savvy, experienced professional practice that identifies business failures that can be resolved through the intelligent application of technology and sound management procedures."

About eZigma

eZigma is a nationwide provider of insightful and affordable IT services. eZigma has been providing onsite IT services since 1996, works nationwide, has an extensive team of experienced consultants, and is committed to consultant availability in hours not days unlike its competitors. Anyone can repair a computer or install a printer. eZigma plans designs deploys secures and manages to improve your bottom line.

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- About Us
- Contact Us
- Top 10 Reasons Why
- Client Case Studies

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By User

- Client Helpdesk
- Web Mail

By Resource

- FAQ's
- Live Chat
- Useful Links / Downloads
- Online Virus Scan